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REPORT OF THE UNITED STATES ATTORNEY FOR THE DISTRICT OF CONNECTICUT FOR 1979 TO THE ATTORNEY GENERAL

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RICHARD BLUMENTHAL
UNITED STATES ATTORNEY
DISTRICT OF CONNECTICUT

JUNE, 1980

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INTRODUCTION

Continuing progress was made during the past year in priority areas of Justice Department activity: white collar crime and fraud against the government, organized crime, and civil rights. These accomplishments were due directly—and should be credited fully—to the skill and unstinting loyalty of our staff, not only the 19 attorneys assigned to this office, but the approximately equal number of paralegals and clerical personnel. Despite increased workloads and diminished economic incentives, the Department of Justice continues to attract persons of the highest caliber, eager to contribute their considerable talents and energy to the public good.

Our accomplishments were made possible in large part by the federal investigative agencies, with whom our working relationships have become close and productive. Behind every case prosecuted by this office was at least one agent—and, often, especially in complex white collar crime cases, more than one. Our law enforcement priorities require a true partnership on the street level. Indeed, if one problem may be highlighted as most deserving of attention, it is the paucity of federal investigative resources available for prosecutions involving white collar crime, public corruption, etc. Each of the federal investigative agencies in this district has experienced a change in leadership during the past year, and our office has found the new agents-in-charge to be of equally impressive talent, maturity and judgment as their predecessors.

Expertise and assistance furnished by the Department of Justice in Washington, D.C., has been invaluable in many cases. In particular, the Public Integrity Section of the Criminal Division has provided important assistance. In the civil area, support for affirmative litigation regarding environmental and civil rights matters has appreciably augmented our office's efforts. The Executive Office for U.S. Attorneys has endured with astonishing patience and good humor our frequent queries and requests, invariably responding constructively.

An era of scarce resources imposes additional burdens on all of us—ranging from the increased cost of traveling between our

district's branch offices, to the strains created by hiring freezes and unfilled clerical positions. In diverse ways, some mundane and others momentous, public service mandates more and more personal sacrifices. And yet, in a very personal way, such adversity may sustain and even enhance a certain esprit. We are fewer in number than we need, and subject to demands that cannot always be met. But we are proud of the office's part of the larger effort led by the Department of Justice.

This report is intended to highlight the most significant cases handled by this office since our last annual report. While numerous cases do not warrant individual comment, credit is due to the Assistant United States Attorneys and other personnel who meticulously prepared and vigorously pursued these routine matters as thoroughly and competently as the more "important" cases. This office could not have functioned without the unselfish and dedicated efforts devoted to these often time-consuming tasks.

SIGNIFICANT DEVELOPMENTS OF 1979

Much as a marathon runner reaches the middle distances, the office during 1979 continued moving toward new priorities—entering a period of steady progress after one of more dramatic, sprint-like change. The previous year had marked a rapid-paced shift toward white collar crime prosecution. This trend continued during 1979, as the office concluded or initiated investigation of a number of highly significant matters. At the same time, it embarked on new initiatives or enhanced efforts in several critical areas—most notably, prosecutions involving civil rights violations and organized crime activities, and affirmative civil litigation relating to the environment and civil rights.

Progress against white collar crime was exemplified by cases involving fraud against the government and business and consumer fraud, especially those in Bridgeport and Hartford pertaining to misuse of federal manpower monies. The investigation of wrongdoing and abuse in the Comprehensive Employment and Training Program demonstrated the productiveness of the task force approach to complex grand jury inquiries, meshing skills of both the FBI and the Labor Department Inspector General's Office. Given the challenge posed by specific cases, agents tend to cast aside competitive instincts and rivalries, welcoming teamwork. The CETA investigation has had specific prosecutive accomplishments as well as, hopefully, a broader deterrent effect.

Similarly, a task force investigative approach was applied in various investigations involving franchise and distributorship frauds such as Investment Services International. Under the direction of an Assistant United States Attorney, agents of the Postal Inspection Service and Federal Bureau of Investigation joined in this long-term inquiry that produced a number of indictments this year. Agents of both the FBI and the Inspector General Office of the Department of Health, Education and Welfare were recruited to investigate student loan frauds involving substantial sums of federal funds.

Facilitating this cooperative effort has been one of the major objectives of the U.S. Attorney's Office, and one of the principal reasons for assignment here of an Economic Crime Specialist. This

district became one of the seventeen around the nation to be allocated a specialist under the Department's experimental program. In addition to assisting with arranging for investigative task forces, the Economic Crime Specialist has also contributed substantially to white collar crime prosecutions by collecting information, surveying options and priorities and litigating specific cases. The immense potential of both this program, and of the Inspector General's Offices, has only begun to be realized. When the resources of other agencies appear scarce, compared to demands and opportunities, new sources of manpower must be found. Within the Inspector General's offices we have found skilled and vigorous investigators whose talents should be tapped.

Cooperation has been promoted effectively not merely among various federal agencies, but between the federal government as a whole and the state and local governments. This office has maintained active liaison with the Economic Crime Unit and Medicare Fraud Unit of Connecticut's Chief States Attorney's Office, and with equivalent units of States Attorney's offices and police departments around the state. In particular, organized crime prosecution in New Haven County has been very substantially enhanced by cooperation between this office, the Organized Crime Strike Force, the Connecticut State Police, New Haven Police and States Attorney's Office in New Haven. All contributed critical resources and personnel in significant common endeavors during the past year. More effective sharing of manpower and information should be pursued vigorously.

Satisfying as white collar crime efforts have been this year, development in other areas seem equally noteworthy. A conviction was obtained in the first cross-burning case prosecuted in Connecticut; it followed an alarming series of similar racial episodes around the state. While the other incidents were not prosecutable for varying reasons, this one seems to have had at least some deterrent effect, in light of the greatly diminished frequency of such very deplorable actions. In another case, four Bridgeport Police officers were charged with civil rights violations in connection with the alleged beating of two youthful stolen car suspects. The jury was unable to reach a verdict after two weeks of trial and ten hours of deliberation, causing a mistrial to be declared. This office determined that the matter should not be retried in light of the eviden-

tiary questions raised in the first trial and its exhausting effect on witnesses. Still, the case indicated the commitment of this office to prosecute vigorously allegations of police misconduct and brutality. Also, it has helped elicit increased cooperation from civil rights groups and leaders.

Efforts to combat organized crime were aided during this year by the assignment of a second attorney from Organized Crime and Strike Force to this district. Cooperation between them and the U.S. Attorney's Office has become so close that formal or organizational distinctions have become practically meaningless. Cases now are worked jointly, with Assistant U.S. Attorneys and Strike Force attorneys often assigned to the same cases. Connecticut has been extraordinarily fortunate in the selection of Strike Force attorneys assigned here; they have been of superb caliber. The past year saw completion of investigations and prosecutions involving a number of significant organized crime figures in various indictments charging labor racketeering, gambling and other offenses.

Crime fighting efforts have focused with increased intensity during the past year on the southwestern section of the district (Fairfield County), as indicated by the opening in Bridgeport of a fully staffed branch of both this office and of the Drug Enforcement Administration. The recent appointment and assignment of two United States District Judges in Bridgeport has augmented this office's workload there, requiring more frequent courtroom appearances, conferences and other litigative activities. Most significantly, the proximity of this area to New York City, combined with its rapid growth during the past few years, has made it susceptible to criminal activity. The influx of corporations and major financial institutions has heightened awareness of potential white collar crime problems, particularly internal theft and embezzlement and business and consumer fraud. Changing population patterns and pressures have enhanced opportunities for drug trafficking. One of the highest priorities of this office during the past year has been to stem the flow of narcotics and dangerous drugs into the state through Fairfield County distribution networks. It is this county that contains the largest concentration of people (approximately 883,000), embracing the highly urbanized area along the coast from Bridgeport to Greenwich.

Perhaps most satisfying among the accomplishments of the past year has been the office's success in pursuing opportunities for affirmative civil litigation. All too frequently, our attorneys represent the federal government in a defensive posture. This is a necessary and unavoidable task in cases where the federal government is a target of lawsuits claiming deprivation of social welfare benefits, constitutional rights and other alleged injuries. The occasion arises more rarely—and should be seized upon vigorously—for federal attorneys to represent the government as plaintiff in actions brought to remedy civil wrongs. This office has done so more frequently during the past year in the environmental and civil rights areas.

Civil actions have been pursued against individuals and companies allegedly responsible for damaging the environment in various ways, ranging from dumping of hazardous materials on the earth to discarding pollutants along the coast. This office became one of the first in the country to bring an action under the Resources Conservation and Recovery Act. Expanding housing opportunities for city dwellers in rural and suburban areas has been another litigative objective. A recent lawsuit joined by the federal government against the Town of Manchester alleges failure to comply with legal requirements imposed as a result of the town's receipt of certain federal funds. The suit, if successful, would mandate Manchester to comply with past agreements to provide greater amounts of low and middle income housing tied to federal grants awarded by the Department of Housing and Urban Development. The federal government also has joined an action involving rights of retarded persons at the Mansfield Training School, seeking to furnish such individuals with a less segregated and restricted environment, and with more opportunities for treatment and productive development. This action is one of a number in the nation aiming in various degrees to deinstitutionalize retarded individuals.

The Civil and Criminal Divisions confront manpower demands of contrasting character. For the Civil Division, the burgeoning number of cases presents a staggering challenge. The task of effectively representing the deferal government is made more difficult by the location of our federal judges in three separate cities, separated by 30-40 minutes of traveling time. For the Criminal Division, the number of cases has diminished as the office has concentrated on longer-term, complex white collar crime investigations and prosecu-

tions; these necessitate review of masses of documents, consuming many months and even years of specialized skills and expertise. Detection and development of such cases often is excruciatingly difficult, and investigative success far from sure, even where sufficient resources are available.

Resource deficiencies described in last year's report remain a problem. The district continues to be below its authorized number of agents, with no apparent relief imminent. While the national total will not decline in this year's federal budget, as distinguished from the recent trend of agent cutbacks, no significant increase is contemplated. Since 1976 the number of special agents in the nation has been reduced from approximately 8,600 in fiscal year 1976 to 7,084 today. Lack of sufficient investigative manpower has affected our performance and will continue to do so. This office, of course, is hardly unique in this regard. As has been repeatedly said by other federal prosecutors, as well as in this office's report last year, federal funds spent to provide adequate numbers of agents who help prevent waste and abuse of federal largesse, are well worth the investment.

CRIMINAL DIVISION

The Criminal Division, comprising 12 attorneys, has continued to make white collar crime and organized crime its major priorities. Our Special Prosecution Unit established more than two years ago is primarily responsible for the white collar crime effort. The Unit is composed of five experienced, skilled attorneys and works closely with counterpart units in investigative agencies.

While white collar crime and organized crime occupied a major part of our energies and resources, we have endeavored to maintain our strong interest in other areas of federal criminal jurisdiction as well, hopefully neglecting none. Relationships with state and local law enforcement authorities have enabled us to make referrals more efficiently in matters where jurisdictions overlap. The federal government, nonetheless, must fulfill its responsibility in traditional jurisdictional areas such as bank robbery and counterfeiting. These cases supply critical training opportunities for new Assistants. State and local agencies confront budgetary constraints as severe as ours. Blanket delegation of responsibility is impossible and unwise.

Overall, in the cases involving final dispositions, convictions were obtained in approximately 87 percent. (If cases are excluded in which the government on its own motion moved to dismiss pending charges, the conviction rate exceeds 95 percent.)

OFFICIAL CORRUPTION

The successful conclusion of the *Dupre,* and *McKenna* and *DiMartino* cases, highlighted 1979. Typically, many official corruption cases also involve fraud against the government. In *United States* v. *Lee,* for example, the misuse of CETA funds was accomplished by an official with a role and responsibility in administering the program.

As is indicated by the Bridgeport CETA cases, defendants formerly in positions of authority sometimes resign prior to actual indictment, in part as a result of federal investigative activities coming to the attention of city officials. Six prosecutions have resulted to date from an ongoing federal investigation of CETA abuse in Bridgeport, culminating in convictions. An investigation into allegations of misuse of federal funds by officials of the Waterbury Housing Authority resulted in an indictment against the Chairman of that body, the fourth case to result from the federal inquiry. The previous cases ended with convictions.

At a time of heightened public awareness of the need for austerity in public spending, the effort to detect and deter fraudulent abuses of public trust deserves sustained interest.

United States v. *Alvin Melvin*

Alvin Melvin, the acting director of central intake for the Bridgeport CETA program, was indicted on April 23, 1980 on three counts of perjury. Among other offenses, Melvin is charged with having given false testimony concerning his knowledge of an improper hiring practice known as pre-selection. He is presently awaiting trial.

(AUSA Peter R. Casey, III)

United States v. *Phillip Moreland*

Phillip Moreland, a former official of the Bridgeport CETA program, was indicted on April 23, 1980 for aiding and abetting CETA fraud. During 1978, Moreland had supervisory authority

over Richard Lee, who was indicted and convicted in 1979 as a "no show" employee. Lee managed a bar while being paid to be a CETA counselor. Moreland, who was the bar's permittee, allegedly delivered Lee's CETA checks to him at the bar. He is awaiting trial.

(AUSA Peter R. Casey, III)

United States v. *Richard Woodruff*

A one-count information was filed on April 11, 1980 charging Richard Woodruff, the Chairman of the Waterbury Housing Authority with defrauding the Department of Housing and Urban Development. The case involves an alleged misuse of travel funds. Woodruff is awaiting trial.

(AUSA Peter R. Casey, III)

United States v. *John Patrick McKenna* and *Jack DiMartino*

On April 24, 1979, John Patrick McKenna entered pleas of nolo contendere to one count of conspiracy and thirty-four counts of mail fraud. Jack DiMartino also entered pleas of nolo contendere to two counts of mail fraud. The resulting judgments of conviction concluded a case pertaining to excess federal property with an acquisition value of $493,719.99, purportedly received by the State of Connecticut Board of Education from the New England Regional Commission (NERCOM). After lack of proper accounting for the property was discovered, a lengthy investigation commenced in 1977. McKenna, the former Property Control Officer for the Board of Education, and DiMartino, a local contractor, were originally charged in a multi-count indictment with conspiracy to defraud the United States, conspiracy to steal government property, conspiracy to commit mail fraud theft of government property and mail fraud. On June 27, 1979, McKenna was sentenced to one year in prison on each of thirty-four counts, to run concurrently and suspended after four months, and a $1,000 fine on one count. DiMartino received a sentence of one year and a $1,000 fine on each of two counts, to run concurrently, and suspended after thirty days.

(USA Richard Blumenthal and
AUSA Albert S. Dabrowski)

United States v. *Edward J. Dupre*

On May 22, 1979, Edward J. Dupre, the former head of the United States Veterans Administration's Real Estate Appraisal and Property Management Section, entered a plea of guilty to a charge of conspiring to defraud the United States. The indictment named Elizabeth D. Gauthier, a licensed real estate broker, and International Associates, Incorporated (a corporation in which both Dupre and Gauthier were officers) as unindicted co-conspirators. The indictment alleged that, while holding his position of public trust, Dupre directed government real estatae appraisal and brokerage contracts to Gauthier, and received kickbacks from her. The indictment also alleged that Dupre steered prospective purchasers to Gauthier, deliberately lied to members of the public seeking to buy V.A. foreclosed property, illegally provided inside information to Gauthier, and made understatements in official records in order to carry out the fraud. On July 25, 1979, Dupre was sentenced to prison for two years, execution of sentence suspended after thirty days, to be followed by a one year period of probation.

(AUSA Thomas P. Smith)

United States v. *Paul Mark Gillis* and *Patrick Griskus*

On November 15, 1979, Griskus and Gillis were indicted for conspiracy to defraud the United States and possession of falsified documents in connection with a scheme to wrongfully obtain veteran's benefits. Griskus, a veteran's advisor at Western Connecticut State College, assisted Gillis in applying for and receiving G.I. education benefits when he was not in fact attending school. They received and shared approximately $6,800 from the Veterans Administration through this scheme. On January 8, 1980 both defendants entered guilty pleas. On February 7, 1980, Gillis received a sentence of two years, suspended, with five years probation and an order of restitution. Griskus was committed for a 90 day study under the provisions of 18 U.S.C. 4205(c) and has not yet been finally sentenced.

(AUSA Peter A. Clark)

United States v. *Annie Hines*
United States v. *Frances Chesto*
United States v. *Helen Lategano*
United States v. *David Jackson*
United States v. *Abe Prior*
United States v. *Theresa DeFrancesco*
United States v. *Israel Velez*

On November 23, 1979, informations were filed in the above matters charging all defendants with false statements and concealment of material facts in connection with their fraudulent receipt of Supplemental Security Income Benefits through the Social Security Program. In all cases except one, defendants were charged with failing to disclose or lying about wages received from employment while they received Social Security benefits. In the one exception (Cruz), the defendant allegedly used another woman to impersonate her grandmother, who was no longer eligible for benefits, during an eligibility interview and thereafter converted the benefit checks which she had mailed to her own address. The total funds obtained by fraud in all of the cases was in excess of $40,000. Five of the cases resulted in guilty pleas and two of the defendants were placed in pretrial diversion programs. Although no sentences involved incarceration, restitution orders imposed by the court as a condition of probation or pretrial diversion are expected to recoup a significant portion of the stolen money.

(AUSA Peter A. Clark and
AUSA Thomas S. Luby)

United States v. *Charles Habersham*

On May 30, 1979, Habersham was indicted on two counts of stealing and obtaining by fraud funds from the Stamford CETA program. Habersham had been employed by CETA as a field investigator. In the course of his duties, he had access to employee payroll checks and other CETA checks that he stole and forged. After entering a guilty plea on November 6, 1979, he was determined to be suffering from a severe drug problem and was sentenced to a two-year suspended term and two years probation with a special condition that he be enrolled in a drug treatment program.

(AUSA Peter A. Clark)

FRAUD AGAINST THE GOVERNMENT

Fraud involving misuse of CETA funds in various Connecticut cities resulted in several major convictions during the past year, and investigations are continuing actively. In addition, the past year saw significant efforts to detect and punish wrongdoing in connection with student loans, veterans' benefits, and Social Security benefits—most involving false statements that permitted otherwise ineligible individuals to receive federal benefits. Equally important was the conviction of *Elm City Filling Stations, Inc.* of wilfully violating federal regulations in connection with the importation of refined petroleum products resulting in the wrongful receipt of approximately $68,000 in payments under the Federal Entitlements Program. The charge against Elm City resulted in the first conviction in Connecticut, and one of the first in the New England region, under the Emergency Petroleum Allocation Act. In many of these cases, successful prosecutions were directly attributable to work done by Inspector General's offices of the Labor Department or Department of Health, Education & Welfare, as it was known until May 1, 1980 (before it became the Department of Health and Human Services).

United States v. *Roger Stewart*

On December 7, 1979, Roger Stewart, the General Services Administration foreman responsible for the Federal Building in Bridgeport, Connecticut, was indicted for conspiracy to defraud the United States and theft of government property. The charges resulted from Stewart's use of two GSA employees during official business hours to install plumbing and to perform other services at Stewart's residence in Woodbury, Connecticut. On January 22, 1980, Stewart entered a plea of guilty to one count of theft of government property. On March 3, 1980, Stewart was sentenced to prison for six months, execution of sentence suspended, and probation for one year.

(AUSA Albert S. Dabrowski)

United States v. *David Johnson*

On May 17, 1979, Johnson was arrested by FBI agents while picking up the proceeds of a fraudulently obtained student loan. Prior investigation had established that Johnson, using a variety of aliases and different Social Security numbers, had applied for and received approximately $3,500 in federally guaranteed loans through the Connecticut Student Loan Foundation and was picking up an additional check for $1,700 when arrested. Although he had registered at various schools to process his loan applications, he never completed any of the courses or programs for which he borrowed the funds. On August 2, 1979, he entered a plea of guilty and on September 19, 1979 he was sentenced to a four-year term, suspended after 60 days, and was placed on probation for five years.

(AUSA Peter A. Clark)

United States v. *Clifford Farmer*

On September 21, 1979, Farmer, a podiatrist, was indicted on 77 counts of false statements in connection with claims submitted by him under the Medicare program. Farmer, who treated patients primarily at nursing homes, allegedly submitted bills to Medicare's contract carrier, Connecticut General Life Insurance Company, containing false diagnoses of certain medical conditions. He thereby obtained payment for services that should not have been covered by Medicare. Farmer was convicted upon pleas of nolo contendere to five counts on March 31, 1980, and is awaiting sentencing.

(AUSA Peter A. Clark and
AUSA Nancy L. Griffin)

United States v. *Elm City Filling Stations, Inc.*

On December 19, 1979, Elm City Filling Station, Inc., pleaded guilty to a criminal charge of wilfully violating federal regulations in connection with the importation of refined petroleum products resulting in the wrongful receipt of approximately $68,000 in payments under the Federal Entitlements Program. Elm City submitted a form in December, 1974, to the then Federal Energy Administration stating that it had imported approximately 144,000 barrels of No. 2 fuel oil at New Orleans during November, 1974.

In fact, the imported product consisted only of naptha, not No. 2 fuel oil. The sentence included a fine of $5,000, the maximum provided under the Emergency Petroleum Allocation Act and restitution of the $68,000 with interest. The criminal charge against Elm City, a Connecticut corporation, resulted in the first conviction in Connecticut and one of the first in the New England region under the Emergency Petroleum Allocation Act.

(USA Richard Blumenthal and AUSA Michael Hartmere)

United States v. *Edward Arnold Burvick, Michael D. Jones and Eldridge Dorsey*

On January 21, 1980, a federal grand jury sitting in Hartford returned a 120 count indictment charging Edward Arnold Burvick, Michael D. Jones and Eldridge Dorsey with the theft of over $35,000 in CETA funds. The stolen funds were the subject of federal CETA grants administered by Associated Restaurants of Connecticut Consortiums, 179 Allyn Street, Hartford. The funds were to provide job training and employment opportunities for economically disadvantaged and unemployed persons in the food services industry within Connecticut. Burvick, Dorsey and Jones entered pleas of guilty on March 24, 1980 and were subsequently sentenced as follows: Burvick received two years in prison suspended after four months, with thirty months probation; Jones was sentenced to one year, suspended and two years probation, and Dorsey to nine months, suspended, with two years probation.

(AUSA Albert S. Dabrowski)

United States v. *John A. DePoli*

On November 16, 1979, John A. DePoli was sentenced to nine months' imprisonment following his conviction for income tax evasion. DePoli, the alleged head of a major bookmaking ring in the Fairfield county area, had attempted to evade taxes on over $160,000 for the calendar year 1973. The government's case included evidence of substantial gambling activity at major Las Vegas, Nevada, casinos. An appeal of DePoli's conviction is presently pending.

(USA Richard Blumenthal and AUSA Michael Hartmere)

United States v. *Sylvio J. Grasso*

Former Hartford bail bondsman Sylvio J. Grasso was convicted November 1, 1979 following trial of attempting to evade taxes on over $60,000 income during 1971. On November 28, 1979, Grasso was sentenced to six months' imprisonment and a fine of $2,000. The 1975 trial on the same charges had ended in a mistrial. An appeal of the present conviction is pending.

(AUSA Michael Hartmere)

United States v. *Michael Fleming*

On August 16, 1979, this office filed an information charging Michael Fleming in four counts with failure to file his personal income tax returns for the years 1974 through 1977. While working as a salesman for a Fairfield County pool installer, Fleming received a gross income of more than $200,000 during the four-year period. He failed to file any tax returns, although his employer had withheld on only half of his salary. The defendant also acknowledged that he had failed to file a single income tax return during the last 15 years. He pleaded guilty to one count, and was sentenced: a suspended sentence of one year, three years probation and a fine of $6,000.

(AUSA Thomas L. Luby)

United States v. *Gilbert and Eleanor Kelman*

The Kelmans, who had formerly owned the *Wallingford Post,* were charged by indictment with having underreported their income by $12,000 in 1972 and $15,000 in 1973. They pleaded nolo contendere to one count of income tax evasion, and were fined $10,000 each. They also were sentenced to one-year suspended sentence with two years' probation and were required to do two hundred hours of community service during their probationary period.

(AUSA Jeremiah F. Donovan)

United States v. *Charles R. Olah*

On February 21, 1979, Charles R. Olah waived indictment and pleaded guilty to an information charging him with income tax evasion. The information charged that Olah had failed to report

approximately $13,000 in income on his 1972 return, thus evading more than $5,000 in taxes. After being incarcerated for three months for the purposes of a psychiatric study, Olah was sentenced to five years' imprisonment, suspended after the time he had already served, a $2,000 fine, and two years probation, including two hundred hours of community service.

(AUSA Jeremiah F. Donovan)

United States v. *Leonardo Riccio*

Riccio, a well-known chef in Fairfield County, was indicted on October 11, 1979, on three counts of filing false tax returns for the years 1975-1977. Riccio persuaded owners of new restaurants to pay large portions of his salary in cash without reporting these payments to the Internal Revenue Service on Form 1099. Riccio would then omit these cash payments from his own tax returns. Under this scheme, Riccio understated his income over the three-year period by nearly $40,000, and avoided over $9,000 in taxes. After pleading nolo contendere to one count of filing a false return, Riccio was sentenced on March 25, 1980 to three months imprisonment and fined $5,000.

(AUSA Thomas S. Luby)

United States v. *Alexander Gorski, et al.*

In June, 1978, the Department of Health, Education and Welfare in Boston received a complaint from a Polish alien that a Hartford-area travel agent was attempting to charge him $90 for a Social Security card. The ensuing investigation developed evidence of a widespread scheme to furnish forged and false affidavits and other documents to Polish citizens seeking to enter the United States to work illegally. Led by special agents from the Office of Investigations, Office of the Inspector General, HEW, and from the Immigration and Naturalization Service, the task force responsible for the inquiry included FBI, Secret Service, Postal Inspection, and IRS personnel. The inquiry resulted in the indictment of Alexander Gorski of Newington, a self-styled "travel agent", for conspiracy to defraud the Social Security Administration, State Department, and Immigration and Naturalization Service and for visa fraud, harboring and shielding aliens from detection, mail fraud

and false statements. A co-defendant, notary public Charles Carron, pleaded guilty to making a false notarization on an immigration document and received a one-year suspended sentence. In February, 1980, a grand jury returned indictments against six additional defendants: two more notaries public, two employers who allegedly harbored aliens, one of Gorski's former employees, and a minister from Brooklyn, New York, who allegedly cooperated with Gorski in obtaining Social Security cards for his alien parishioners. Charges against them, and Gorski, are pending.

(AUSA Holly B. Fitzsimmons)

United States v. *Wilbur Cooper*
United States v. *Michael Wilkes*
United States v. *Valerie Oliver*
United States v. *Alexander Oliver*
United States v. *Brenda Lockett*
United States v. *Leeta Grant*
United States v. *Louis Reed*

Concerned by the apparent frequency and magnitude of student loan fraud in Connecticut, this office initiated an investigative effort regarding fraudulent loans guaranteed by the Connecticut Student Loan Foundation. As a result of the assistance of Foundation officials and numerous agents of the FBI, the past year has produced seven indictments. The defendants have been charged with various false statements on loan applications, including the failure to list prior loans, representations that the funds would be used for educational purposes when the defendant had no intention of doing so, and the forgery of school officials' signatures. One of the defendants, Michael Wilkes, has been charged in fourteen counts with obtaining over $16,000 through false loan applications. All defendants are awaiting trial.

(AUSA Thomas S. Luby and
AUSA Nancy Lukingbeal)

BUSINESS CRIME

The national costs of internal fraud and embezzlement are measured in billions of dollars—more than $30 billion according to the Chamber of Commerce—reflecting a problem that almost inevitably must be passed on to consumers in price increases for products. Losses resulting from embezzlements, for example, are double or triple the amounts involved in bank robberies. Recognizing this fact, federal agencies this year in Connecticut successfully prosecuted major white collar crime cases charging fraudulent loan application schemes such as *United States* v. *Slocum*, involving in excess of $400,000; embezzlement cases like *United States* v. *Emerson*, alleging a misapplication of nearly $75,000; and bank frauds such as *United States* v. *Cowie*, involving some $180,000. Charges presently are pending against a former Director of the Guaranty Bank & Trust Company and the former chief lending officer of that institution, alleging that they participated in a scheme to submit false loan documents involving a truck dealership in which they and others had a direct financial interest. The scope of their alleged fraud is indicated by the 98-count indictment charging them with systematically looting a special dealer account of more than $1,000,000. This office worked closely with the Internal Revenue Service in this area. Indictments in these cases frequently included counts charging income tax evasion and other related offenses, as exemplified by *United States* v. *Figliola*, in which a husband-wife computer programming team misapplied several thousand dollars from a major Fairfield County corporation.

United States v. *Anne DeMeo*

On May 9, 1979, DeMeo waived indictment and entered a guilty plea to a one count information charging the misapplication of $7,400 of funds of the Westport Bank and Trust Company. She had used various fraudulent bookkeeping entries to transfer small sums to her own account over a six-month period. On June 8, 1979, imposition of sentence was suspended and she was placed on probation for a period of four years, with a special condition of probation that she make restitution to the bank.

(AUSA Peter A. Clark)

United States v. *Robert W. Slocum and Ralph Damiano*

On May 6, 1977, Slocum and Damiano were named in an eight count indictment charging false statements in connection with bank loan applications and conspiracy, in a scheme involving the use of inflated assets of shell corporations to obtain in excess of $400,000 in loans from the Connecticut Bank and Trust Company. Damiano entered a guilty plea shortly thereafter and received a six month sentence in July, 1977. Slocum had fled to Europe, where he received a prison sentence for an offense committed in Belgium. This office initiated extradition proceedings resulting in hiis return here in December of 1978. His trial began on April 3, 1979, and after three days of testimony he entered nolo contendere pleas to two counts of the indictment. On July 2, 1979, he was sentenced to eighteen months imprisonment and three years probation.

(AUSA Peter A. Clark and
AUSA Jeremiah F. Donovan)

United States v. *C. Marston Ladd*

C. Ma.ston Ladd, a branch manager of the American Savings Bank, New Britain, Connecticut, was convicted on April 1, 1980 of having embezzled bank funds in the amount of $36,930.86. Ladd's scheme involved initially creating a fictitious loan to cover personal expenses, and then creating a series of four additional loans, each of which was utilized to cover the previous loan. Sentencing is pending.

(AUSA Peter R. Casey, III)

United States v. *Job L. Emerson*

On April 1, 1980, Job L. Emerson, a Vice-President and twenty-one year employee of the Hartford National Bank, was convicted of embezzling $74,530.74 from that bank. Emerson utilized his position as manager of Hartford National's Correspondent Banking Department to divert checks from several other banks to his own account. Emerson engaged in the activity in order to cover personal expenses and poor investments. Sentencing is pending.

(AUSA Peter R. Casey, III)

United States v. *Joseph D. Price*

On November 15, 1979, Joseph D. Price, the former treasurer of the G. Fox Employees Federal Credit Union, was indicted by a federal grand jury sitting in Hartford, for stealing $12,384.76 of funds belonging to the Federal Credit Union. The indictment charged that the funds were taken between September 8, 1977 and August 2, 1978, and were insured by the National Credit Union Administration. On October 16, 1978 the National Credit Union Administration suspended the charter of the G. Fox Employees Federal Credit Union and filed a Notice of Intention to place the credit union into involuntary liquidation. On March 10, 1980, Price was sentenced to two years in prison, execution of sentence suspended after ninety days, followed by four years probation.

(AUSA Albert S. Dabrowski)

United States v. *Jack R. Cowie*

The defendant, a Senior Vice-President and Trust Officer of Citytrust Company, waived indictment and entered pleas of guilty to one count of bank fraud and embezzlement and one count of income tax evasion in connection with his embezzlement of more than $180,000 from the bank. The scheme, implemented during a six year period, involved a transfer account over which Cowie had exclusive control. He was given conditional sentences of five years on each count, pursuant to 18 U.S.C., 4205(c), pending receipt of a sentencing report from the United States Bureau of Prisons.

(Chief AUSA Harold James Pickerstein)

United States v. *Jacob S. Sabotka, et al.*

In June, 1979, Jacob S. Sobotka, an attorney and an unsuccessful 1976 candidate for the Connecticut State Legislature; John Rubin, formerly a school psychologist in the East Hartford public school system; and Norman Lagace, a part-time real estate salesman, were convicted in connection with a $140,000 insurance fraud scheme. The scheme, according to the indictment, involved the intentional destruction through vandalism of the Hofbrau East, an East Hartford restaurant. On August 9, 1979, Sobotka was sentenced to the custody of the Attorney General for two years, exe-

cution of sentence suspended, to be followed by probation for two years. Rubin received a two-year sentence, suspended after three months and three years probation. Following his conviction, Sobotka resigned from the Bar of the United States District Court for the District of Connecticut. The Grievance Committee for the Bar of the State of Connecticut has initiated formal proceedings of disbarment in the Superior Court for the State of Connecticut.

(AUSA Thomas P. Smith)

United States v. *Rudolph Figliola and Patricia Figliola*

On June 12, 1979 Rudolph and Patricia Figliola, of Greenwich, a husband-and-wife computer programming team, pleaded guilty to income tax evasion. Evidence developed by the Internal Revenue Service showed that the pair devised a scheme in which they used false invoices for computer services to embezzle money from Hilti, Inc., which employed them. Rudolph Figliola received a sentence of one year's incarceration on the tax charge. He was also convicted of larceny, in state court, and was sentenced to two to five years' imprisonment, concurrent with the federal sentence. Patricia Figliola was placed on probation.

(AUSA Holly B. Fitzsimmons)

United States v. *David Holdwright*

David Holdwright was employed as the vice-president in charge of mortgage servicing for the New Haven Savings Bank. Between March of 1976 and August of 1979, he embezzled approximately $101,000 from the mortgagement commitment fee account and the mortgage application fee account of the bank. On September 27, 1979, Holdwright pleaded guilty to a two-count indictment charging him with bank embezzlement. He was sentenced to four months' imprisonment, two years' imprisonment (suspended), and four years' probation.

(AUSA Jeremiah F. Donovan)

United States v. *Jeffrey Pilgrim*

On March 27, 1979, Pilgrim waived indictment and entered a not guilty plea to an information charging two counts of misapplication of bank funds in connection with a scheme whereby he, as

an officer of Colonial Bank in Waterbury, generated approximately $43,000 in loans to fictitious borrowers and converted the proceeds to his own use. On May 7, 1979, Pilgrim pleaded guilty to both counts, and on June 5, 1979, he was sentenced to thirty days incarceration, followed by ninety days in a Half Way House and two years probation. Pilgrim was further ordered to make restitution payments to the bank.

(AUSA Peter A. Clark)

United States v. *William Thibadeau, Norman Harris, Patrick Thibadeau, William Pitcher*

On April 25, 1980, a federal grand jury, after an eighteen month investigation, returned a 98 count bank fraud indictment involving four individuals. One was a former board member of the victim institution, another was formerly the bank's chief lending officer. Their alleged scheme involved the submission of inflated retail installment contracts in order to rapidly build up a special dealer account which was then systematically looted of well over $1,000,000. The indictment charged 69 counts of submitting false loan documents against William Thibadeau, the former bank director and partner in a truck dealership in whose name the false documents were submitted. It also charged 65 false document counts against Norman Harris, a partner of Thibadeau, 22 false statement counts against Patrick Thibadeau, an employee of the dealership and son of William Thibadeau, and an aiding and abetting count against William Pitcher, formerly the chief lending officer of the Guaranty Bank and Trust Company, the affected institution. All the individuals were also charged in a conspiracy count, and William Thibadeau was charged with four counts of receiving money or other things of value for procuring loans while a director of the bank. All four are awaiting trial.

(AUSA Peter R. Casey, III)

United States v. *Brad Kneidl*
United States v. *Raymond Morrissey, et al.*

On September 10, 1979, Brad J. Kneidl, a president of Investment Services International, Inc., a now-defunct Wethersfield company, pleaded guilty to conspiracy and two substantive counts of mail fraud, following an extensive Postal Inspection Service inves-

tigation into jewelry showcase distributorship schemes that bilked more than 300 "investors" out of more than $1,000,000. Those defrauded lived in more than eleven states and lost sums ranging from $3,475 to $15,000 in ISI and a similar successor company, Palm Marketing Services. Kneidl, whose plea included an agreement to cooperate with the government and make restitution, is awaiting sentencing.

In February, 1980, Kneidl's partner at ISI, Raymond Morrissey, and eleven others were indicted for conspiracy, mail fraud and wire fraud for their activities at ISI, PMS, and two other related distributorship frauds, Leather Chest, Inc., and Cash Card Corporation. Investor losses in the four companies were alleged in the indictment to have been more than $2,000,000. The fifteen-month investigation combined resources from the FBI, the Connecticut Consumer Protection Department, Banking Commission, State Tax Department, and the Attorneys General of at least three states. All the defendants are awaiting trial.

(AUSA Holly B. Fitzsimmons)

MAJOR CRIMES

While the kidnapping-rape conviction in *United States* v. *Simpson* and *Furman* concluded prosecution of one of the more sensational and serious crimes committed during the past year, the office takes particular pride in several bank robbery trials that were important for their potential deterrent effect. Like many metropolitan and suburban areas, Connecticut suffered from an increased rate of bank robberies during the past year. There were 51 bank robberies committed during the year ending December 31, 1979, and 4 during January, 1980, as compared with 43 during the year ending December 31, 1978, and none during the month of January, 1979. Three such offenses were the basis for conviction of Samuel Ingram, whose 45 year sentence following trial was a significant development in efforts to stem the bank robbery trend. In a case with international implications, convictions were obtained by guilty pleas and the trial against four individuals charged with illegally attempting to export firearms to Lebanon, among other offenses. The case, *United States* v. *Mowad, et al.*, involved close cooperation between this office and the Bureau of Alcohol, Tobacco & Firearms during a six-month investigation.

United States v. *Michael George Thevis* and *Anna Jeanette Evans*

On November 14, 1979, the United States Court of Appeals for the Second Circuit affirmed the convictions of Michael George Thevis and Anna Jeanette Evans. Thevis, an escaped federal prisoner and one of the FBI's "top ten most wanted" fugitives was arrested in Bloomfield, Connecticut, on November 9, 1978. He was indicted by a federal grand jury sitting in Hartford, Connecticut that same month on federal firearms and false statement charges. Evans, a Georgia real estate broker and girl friend of Thevis who was with him at the time of his arrest, was indicted by the same grand jury for harboring an escaped federal prisoner and false statements. At the time of his arrest, Thevis was in the process of withdrawing over $30,000 in cash from a Bloomfield bank. During a search of the automobile in which Thevis

and Evans had been traveling prior to their arrest, FBI agents discovered in excess of $400,000 in cash. Thevis was sentenced to two years imprisonment and fined $5,000. Thevis also faces a life sentence resulting from a federal racketeering conviction involving murder and extortion in the Northern District of Georgia which is currently being appealed. Evans, who is also appealing a life sentence imposed in the Northern District of Georgia, is now serving a sentence imposed in the District of Connecticut of eighteen months' imprisoment, suspended after ninety days.

(USA Richard Blumenthal and
AUSA Thomas P. Smith)

United States v. *Dennis Schoendorf, Ronald Jacobs, Walter Laffin* and *John Cunningham*

On July 13, 1979, the above four defendants were named in a five-count indictment charging theft from interstate shipment, possession and transportation of goods stolen from interstate shipments, and various customs offenses. The indictment alleged that the four defendants had played various roles in the theft and attempted sale of approximately $140,000 worth of frozen meat being imported from Australia and New Zealand. While still under Custom's bond, it had been stolen from the New Haven Cold Storage terminal on the night of March 22, 1979. The investigation, which involved the use of an undercover FBI agent who negotiated with the thieves for purchase of the stolen meat, also revealed that two of the defendants, Laffin and Cunningham, were connected with a previous theft of imported Korean sneakers. On October 25, 1979, Laffin entered pleas of guilty to transportation of meat stolen from Custom's custody and possession of stolen sneakers. On December 6, 1979, he received a suspended two year sentence. Cunningham entered pleas of guilty to a transportation charge and a possession charge for the meat and sneakers respectively, and on March 6, 1980, was sentenced to two years incarceration. Schoendorf and Jacobs were convicted after trial and are awaiting sentencing.

(AUSA Peter A. Clark and
AUSA Thomas S. Luby)

United States v. *Dennis Simpson* and *Robert Bruce Furman*

On November 7, 1979, Simpson and Furman were indicted for kidnapping in connection with the abduction of a man and woman from Stamford, Connecticut and their subsequent transportation to New York State where they were robbed and the woman was raped. The victims were bound and left in a wooded area, but managed to free themselves and seek help. A third kidnapper, a juvenile, was charged by state rather than federal authorities. Furman and Simpson pleaded guilty to the one-count indictment in late May and are awaiting sentencing.

(AUSA Michael Hartmere and
AUSA Nancy B. Lukingbeal)

United States v. *Robert Marion Palmer*

On February 8, 1979, Palmer was indicted for the three bank robberies occurring in New Haven, Stamford and Norwalk during August and September of 1978. He was apprehended in New York. April 11, 1979, he pleaded guilty to three bank robberies in Connecticut and three in New York. On May 1, 1979, he received a 15 year sentence.

(AUSA Peter A. Clark)

United States v. *Samuel Ingram*

The red blast of a sawed-off shotgun on the morning of February 1, 1978, announced the first of three armed bank robberies for which Ingram and his accomplices were indicted by a federal grand jury. On that morning, the employees of the Connecticut National Bank, Bridgeport, Connecticut, watched three men, disguised with ski masks and carrying weapons, ransack tellers' drawers and enter the vault. Over $29,000 was taken. The evidence at trial showed a common pattern in Ingram's armed robberies of the First Bank in New Haven on March 12, 1979, and of the Union Trust branch in North Haven on April 3, 1979. Ingram, who lived in Newark, New Jersey, would arrive in New Haven area on the day before the offenses. Accomplices would help him steal vehicles to be used in the robberies. One was the get away car. A second vehicle—the switch car—would wait a few blocks away. The robbers would drive away from

the area in this car, carrying their weapons and the stolen money. The stolen vehicles would then be abandoned and the robbers would return to New Jersey. Over $16,000 was taken in the two later robberies. None of the stolen money has been recovered. Evidence at trial indicated that Ingram was an experienced bank robber who worked frequently with a small number of criminal associates from the Newark area. Prior to trial, Ingram was found in contempt of court for refusing to provide a sample of his handwriting. After a week of testimony and two hours of deliberation during February of 1980, the jury convicted Ingram on nine counts covering all three robberies. On April 30, 1980, Judge Daly sentenced Ingram to three consecutive sentences of fifteen years each, to be followed by six months for contempt.

(AUSA Thomas S. Luby and
AUSA Jeremiah F. Donovan)

United States v. *Antoine Mowad, Sayid Kortobani, Mylet Mouawad* and *Talal Doueihi*

In May, 1979, a grand jury indictment was returned against Antoine Mowad, Sayid Kortabani, Mylet Mouawad and Talal Doueihi charging them with dealing in firearms without a license, attempting to export firearms from the United States to Lebanon without a license, and conspiracy. The indictment culminaed a six month investigation, which involved the delivery to the defendants of 110 heavy calibre handguns. Three of the defendants entered pleas of guilty; the fourth, Antoine Mowad, was convicted of all counts following a three and one-half week trial. He is awaiting sentence.

(Chief AUSA Harold James Pickerstein and
AUSA Thomas S. Luby)

United States v. *James Bagliore*
United States v. *Louis Russano*

On May 21, 1979, James Bagliore pleaded guilty to possession of the largest cache of counterfeit money ever discovered in Connecticut—approximately $1,000,000—and surrendered to authorities another $1,200,000. Bagliore was sentenced to two years, execution suspended, and placed on probation for three years.

Subsequently, Louis Russano, a retired printer with a previous counterfeiting conviction, was indicted for printing the bills. Russano pleaded guilty to the charge and was sentenced to three years imprisonment.

(AUSA Holly B. Fitzsimmons)

United States v. *Lucas Betancourt, Ivan Serrano* and *Luis Antonio Castillo-Velez*

On December 6, 1979, a federal grand jury in New Haven charged Betancourt, Serrano and Velez in a 46 count indictment alleging the forging and uttering of United States Treasury checks, the possession of stolen mail, and conspiracy to commit those acts. The scheme extended from March to May of 1978 in Waterbury, Connecticut and involved stealing IRS refund checks from the mails and processing them through a single store. Fourteen separate checks formed the basis of the indictment. Betancourt pleaded guilty to possession of stolen mail on February 27, 1980, and received a sentence of one year, suspended after six months, with full restitution required. Velez subsequently pleaded guilty to forgery and received a suspended sentence. Serrano pleaded guilty to conspiracy, and awaits sentencing.

(AUSA Thomas S. Luby)

ORGANIZED CRIME

Increased activity against organized crime marked the past year as the two new Strike Force attorneys assigned here worked closely with this office to continue the fine work of their predecessors. Especially notable was the conviction obtained in *United States* v. *Inorio,* a labor racketeering and conspiracy case prosecuted by Donald Abrams prior to his resignation. Inorio was sentenced to three years in prison. A co-defendant in that case, Salvatore Annunziato, also known as "Midge Renault", disappeared prior to trial. Annunziato's fate became a matter of particular interest to federal authorities not merely because of the pendency of criminal charges against him, but also as a result of subsequent gangland-style murders of various individuals associated with organized crime activities. The indictment of Ceasar Canestri and six other defendants for gambling offenses and conspiracy occurred on May 5, 1980, as a result of combined investigative efforts involving the Federal Bureau of Investigation, the Connecticut State Police, the New Haven Police and the States Attorney's office in New Haven, as well as the Strike Force and United States Attorney. As was indicated at the time of that indictment, the intensive and long-term investigation into illegal gambling activities is continuing.

United States v. *Caesar Canestri, et al.*

On May 5, 1980, a grand jury returned a two count indictment charging seven New Haven area men with conducting an illegal gambling business and conspiracy. The defendants named in the indictment were: Dominic Marangelli, aka "Slats"; Joseph Fernandez, aka "Diaz"; Albert Discepolo, aka "Ungooch" Caesar Canestri; Vincenzo Consiglio aka "Jimmy", aka "Big Apple"; Joseph Abbenante, aka "Joe Cook"; and Victor Rosarbo, aka "Junior Rose".

The indictment, which charges illegal gambling activities from December, 1978 through and including September, 1979, resulted from a joint investigation conducted by federal, state and local authorities. The indictment charges that it was part of the con-

spiracy that the defendants extended credit to certain gamblers in order to enhance their gambling business and that they regularly conducted an accounting of the finances of the gambling business. The indictment further charges that the defendants divided proceeds of the business with owners and directors in Connecticut, New York and Rhode Island. The defendants are awaiting trial.

(Strike Force Attorneys Richard Gregorie and William Keefer)

United States v. *Albert Inorio*

On October 10, 1979, Albert Inorio was convicted of two counts of labor union embezzlement and one count of conspiracy. The verdict, which was rendered by the Honorable T. F. Gilroy Daly, followed a two-day bench trial which took place on September 25-26. Inorio's co-defendant, Salvatore "Midge Renault" Annunziato disappeared on June 27, 1979, and was found by the court to be "unable or unwilling" to take part in the proceedings.

At the trial, Robert Proto, a Branford restauranteur described a kickback scheme involving Inorio, the Business Manager of Laborers Local 455, and Annunziato, who purported to act on behalf of the Union. Their agreement was that Proto would kickback to Inorio and Annunziato approximately half of all payments by the Union for a Christmas party held at Proto's restaurant. Proto told the FBI about the plans and agreed to wear a concealed sound recording device and to allow the installation of a closed circuit videotape camera in his restaurant.

On November 20, 1979, the defendant was sentenced to a three-year prison term to be followed by five years probation. A special condition of probation was also set prohibiting Inorio from holding any union office during the probationary period.

(Strike Force Attorney Donald F. Abrams)

NARCOTICS

The increasing supplies of "new heroin" available from new sources in the so-called "golden crescent" has been a cause of drug problems in the entire district, and illustrates the importance of cooperation and combined law enforcement efforts among the many federal agencies affected by this problem The opening of an office of the Drug Enforcement Administration in Bridgeport reflects the priority that has been devoted by that agency to the southern area of the state, in recognition of its proximity to New York sources of supply. This office has enhanced its efforts in that area by the assignment of several attorneys full-time to a fully staffed office in Bridgeport. Increased enforcement efforts thus are anticipated, and, as the cases described indicate, have already borne results.

United States v. *William Hensley, Daniel Thomas Scarfo, Francis Patrick O'Sullivan and Chris Salonia*

On September 21, 1979, a grand jury returned an indictment charging that William Hensley, Daniel Thomas Scarfo and Chris Salonia had conspired to distribute cocaine; that Hensley had actually distributed cocaine; that Hensley, Scarfo and Francis Patrick O'Sullivan had conspired to steal $58,000 of the Drug Enforcement Administration; and that Scarfo and O'Sullivan had committed a federal firearms violation. The indictment arose out of a six-month investigation by D.E.A. into the activities of Hensley. That investigation culminated in the arrest of Scarfo and O'Sullivan after they had conspired to rob an undercover agent in Cromwell on August 29, 1979. Hensley, after a week-long trial, was convicted of distributing cocaine and conspiracy to distribute cocaine, and was sentenced to eight years' imprisonment and a ten-year special parole term. Salonia was acquitted. Scarfo pleaded guilty to conspiring to steal government property and was sentenced to five years' imprisonment. O'Sullivan also pleaded guilty to conspiring to steal government property and was sentenced to one year's imprisonment.

(AUSA Jeremiah Donovan)

United States v. *Johan Arends et al.*

On September 18, 1979, Drug Enforcement Administration agents obtained a search warrant for the safety deposit box of a suspected cocaine trafficker and found $49,500 in cash. The investigation led to the indictment of an Aruban student at the University of New Haven, Johan Arends, and a Middlebury youth, Dean Kachulis, for conspiracy to distribute cocaine.

On March 19, 1980, Arends and Kachulis were named with a third defendant, Ted Crane of Hawaii in the superseding indictment charging conspiracy, distribution of more than 69 pounds of cocaine, and related communications and travel violations. Arends and Kachulis are awaiting trial. Crane, who had been released on bail in connection with federal drug charges pending in Colorado, is a fugitive.

(AUSA Holly B. Fitzsimmons)

United States v. *Joyce Millette*

On June 4, 1979, a Hartford physician, Dr. Joyce Millette, was convicted of eighteen counts of unlawful distribution of controlled substances following a seven day court trial. The government's evidence showed that Dr. Millette prescribed various combinations of diet pills and tranquilizers to four undercover agents of the Drug Enforcement Administration between August and October of 1978, when there were no medical indications for the drugs. Dr. Millette was sentenced to three years' incarceration, suspended, and placed on probation for two years. A special condition of her probation was suspension of her right to prescribe drugs. The conviction was affirmed on appeal, and served as grounds for a revocation of her schedule privileges by the Drug Enforcement Administration and proceedings by the State Medical Board to revoke her license to practice medicine.

(AUSA Holly B. Fitzsimmons)

United States v. *Charles Gawlica* and *John Shay*

A Howard Johnson's employee telephoned the Vernon, Connecticut police on February 20, 1979, to request assistance with a disorderly patron. After the ride to the police station in the officer's cruiser, the inebriated motel guest abandoned a black

bag on the vehicle's rear floor. Inside the bag was a small amount of cocaine, $2,000 in cash, and a Mobil Oil credit card receipt. The license plate on the receipt was traced to another individual's residence in Manchester, Connecticut. In front, stood a mailbox with the name of a third individual, Charles Gawlica. Subsequent investigation by agents of the Drug Enforcement Administration led to the arrests of defendants Gawlica and John Shay on April 18, 1979, and the seizure of more than $100,000 worth of high purity Columbian cocaine. Defendant Shay pleaded guilty to possession with intent to distribute cocaine and was sentenced to a term of four years in prison and a five year special parole term. His appeal was rejected by the Second Circuit on April 30, 1980. Defendant Gawlica pleaded guilty to using a communications facility to further the distribution of cocaine, and received a two year sentence. Evidence obtained in the course of this investigation also resulted in the conviction of another individual who was found guilty and sentenced in Florida's U.S. District Court to ten years in prison for smuggling cocaine into the country.

(AUSA Thomas S. Luby)

United States v. *Frank DeVito, Antoinio Francisco, Gregory Murphy, James Roche* and *Helga Ward*

A federal grand jury on January 30, 1979, returned a seven-count indictment charging the five defendants with conspiring to possess with intent to distribute cocaine and marijuana and other drug offenses. The investigation centered around undercover transactions involving agents of the Drug Enforcement Administration and the Connecticut Statewide Narcotics Task Force. The arrests resulted in the seizure of approximately $15,000 worth of cocaine and drug funds totaling $22,050. Following pleas of guilty to conspiracy, Ward and Murphy were sentenced to five years in prison and three year special parole terms. After pleading guilty to substitute informations, Devito received a sentence of three years followed by three year special parole term, and Francisco was sentenced to two years suspended after 90 days and two years probation. Roche was convicted and sentenced to three years.

(AUSA Thomas S. Luby and
AUSA Albert S. Dabrowski)

CIVIL RIGHTS

The importance of the federal presence in civil rights enforcement is almost too obvious to merit extensive comment. A recent spate of episodes apparently having racial motivations spurred attention by state as well as federal agencies. Prosecutions for violations for civil rights are undertaken in part to deter such incidents. This office has been active not only in prosecuting these offenses but in engaging in community education, testimony before commissions and other organizations, and endeavoring generally to assure that there is no doubt as to the federal commitment to protecting the legal rights of all citizens.

United States v. *Robert Stewart*

On September 14, 1979, an indictment was returned against Robert Stewart charging a violation of the federal Fair Housing Act. The indictment charged that Stewart, on Christmas Eve of 1978, burned a cross on the lawn of a family in Ridgefield, Connecticut, thus intimidating the family and interfering with their civil liberties. The case was the first federal cross-burning case prosecuted in the District of Connecticut. After several days of pretrial hearings and three days of trial, Stewart was convicted on May 19, 1980, and it awaiting sentencing.

(AUSA Jeremiah F. Donovan)

United States v. *Peter Demotses, Victor Diaz, Angel Duran, and Leonard Samatulski*

On July 25, 1979, four Bridgeport police officers were indicted on charges of assaulting and beating Hector Torres and Eric Corbett, thus interfering with their right not to be deprived of liberty without due process of law. The incident had occurred in Fairfield on February 5, 1979, after a high-speed chase which culminated in the arrest of Torres and Corbett. After eleven days of trial, the jury was unable to reach a verdict, and the case against

the four was dismissed subsequently by this office, in light of apparent evidentiary problems and the enervating effect of the first trial on witnesses, defendants and others concerned.

(Chief AUSA Harold James Pickerstein,
AUSA Jeremiah F. Donovan, and AUSA Peter Clark

CIVIL DIVISION

The Civil Division, comprising five attorneys located in three cities, represents the federal government as both plaintiff and defendant in virtually all non-criminal cases arising in Connecticut. The civil practice is extraordinarily diverse, ranging from simple and routine matters such as tax liens or mortgage foreclosures to complex litigation involving hazardous waste disposal or civil rights. Despite continuing, apparently uncontrollable, increases in case numbers—a phenomenon described in last year's annual report—the Civil Division has endeavored to expand its role representing the public interest in litigation that puts the federal government in an affirmative posture.

As in past years, the caseload increases have occurred primarily in litigation areas that involve the federal government as a defendant, and, therefore, are largely outside its control. Overall, our total civil caseload in May, 1980, was 1,767 as compared with 1,200 at the same time last year, an increase of more than 40 per cent. Connecticut's experience does not differ markedly from the nation's as a whole: our society, as now has become widely recognized, has become more and more litigious. The federal government is affected markedly by this trend. A person with a grievance is increasingly likely to look for relief to a federal program, or to complain of some form of discrimination cognizable by federal law. This attitude has not been discouraged by the courts, which have created new causes of action by expanding the scope of existing statutory and constitutional rights, or by Congress, which has created new legal rights by legislation. Aside from these general factors, however, there are a number of specific causes of caseload increases.

Enforcement of administrative summonses of the Internal Revenue Service is responsible for a significant portion of the office's litigation activity. Such summonses are frequently issued to assist I.R.S. agents in the conduct of tax investigations. The law allows for an adversary proceeding, in the event a summons is challenged.

The Freedom of Information Act has provided another fertile source of litigation opportunity. It has been invoked—so far with little success—in attempts to obtain information regarding the status of *active* civil and criminal cases. In these matters, disclosure of such information would seriously compromise ongoing investigations or cases. Prisoners have filed FOIA requests seeking to obtain the contents of files relating to themselves, often including names of confidential sources who may have cooperated in the investigation leading to their conviction.

Similarly, there has been a continuing proliferation of prisoner petitions relying on the great Writ of Habeas Corpus and invoking diverse constitutional rights. Such petitions challenge not merely the validity of convictions, but conditions of the incarceration and many other aspects of prisoners' personal situations. In part, they are the consequence of the recent expansion of constitutional rights of action under the so-called *Bivens* doctrine by the courts. They are rarely treated summarily by trial courts, as a result of admonitions from appellate judges that such claims should not be routinely dismissed without some factual inquiry.

In each of these three instances, the government may win many individual battles, but "lose the war". None of them is likely to generate litigation unfavorable to the government in its final outcome, but the expense and time required to join the battle may severely detract from the government's ability to effectively discharge its functions in other litigation areas. There are few disincentives, for example, the prisoner petitions. Few, statistically, state genuine grievances. All require a response. The real losers, in the long run, may be litigants with genuine civil grievances—often against other private parties—who must wait longer for resolution of their disputes as a result of the workload for courts created by such cases against the federal government. It is the petitioning prisoner, not the automobile injury victim, who goes to the front of the litigation line.

The Civil Division has endeavored to cope with greater caseload demands by relying to an increasing extent on paralegal and volunteer law students. Paralegals may become expert in processing mortgage foreclosures, tax liens, and some bankruptcies, as well as providing research support on selected cases. Often they perform

these functions as expeditiously and enthusiastically as the average attorney. Many members of the office's clerical and technical staff may be trained to perform functions of a quasi-legal nature—serving career development goals as well as enhancing the office's overall caseload capacity. Volunteer law students, primarily from Yale Law School, have been utilized extensively on research projects of a discreet, short-term nature; they have also in some instances participated in the actual courtroom presentation of such cases.

Advances in case management practices have been advantageous, and should be increasingly so in the future. The opportunities for specialization among attorneys is limited by the fact that the staff already is specialized geographically, in effect, among three offices. But specialization in subject matter has been and will continue to be pursued energetically.

In the area of affirmative litigation, progress continues to be made in advancing environmental causes and civil rights actions in ongoing and new cases. In these actions and others, constant liaison with the interested organizations has been beneficial. Cooperating with environmental groups, for example, the office this year co-sponsored a symposium regarding environmental protection. Issuance of regulations by the Environmental Protection Agency under the Resources Conservation and Recovery Act affords even greater opportunities to take the initiative in hazardous waste disposal cases in the future.

A high priority of the office continues to be civil fraud litigation, a companion of the white collar crime effort that has been pursued by the office.

In addition, the collection efforts of the office have been highly successful, remitting some $2,131,610 to the Treasury during the past year. Pursuit of debts to the federal government—owed mostly to the Small Business Administration, and, by former students to the Veterans Administration and other federal agencies—is especially important in an era of fiscal austerity.

Rosado v. *Civiletti*

Writs of habeas corpus were sought in 1978 by three former inmates at F.C.I., Danbury, challenging transfers from Mexican to United States custody under the terms of the Mexican-American

Prisoner Transfer Treaty. The case threatened directly the continued viability of the Treaty, which has enabled the transfer of approximately 450 American prisoners from Mexico to this country since its ratification in 1977. Petitioners' theory was that the Treaty effected an unconstitutional suspension of the Writ of Habeas Corpus because a transferring prisoner is required to waive any right he may have in United States courts to challenge the underlying Mexican conviction. They also alleged that, despite consent verification proceedings held in Mexico before United States Magistrates, their consents to the transfer were invalid.

In July, 1979, the district court granted the writs. Without reaching the constitutional questions, it held that the particular facts surrounding petitioners' arrests, convictions and confinement —particularly their fear of death in Mexican prisons—made their consents involuntary. As a result, the Mexican government formally notified the United States of its intention to decline renewal of the Treaty in 1981. A motion for reconsideration of this ruling was denied in December, 1979, and an appeal followed.

On April 23, 1980, the United States Court of Appeals for the Second Circuit reversed the judgment of the District Court. In a 50 page decision the Court held that petitioners' consents were voluntary, relying on *North Carolina* v. *Alford* and its progeny, and that they were estopped from challenging the Treaty after having taken advantage of its provisions knowingly and voluntarily.

(USA Richard Blumenthal, and
AUSA George J. Kelly, Jr.)

Laurel Bank & Trust v. *United States of America*

In this action, the plaintiff bank sought to enforce a Small Business Administration loan guarantee in the approximate amount of $100,000. The Small Business Administration had refused to pay the guarantee as a result of problems in the management of the loan by the bank. After a trial on the facts, the Court sustained the government's position. The ruling is anticipated to have a strengthening effect on the SBA's loan guarantee program.

(AUSA Frank H. Santoro)

The Danbury Fire Case

On July 7, 1977, a fire occurred at the Federal Correctional Institution at Danbury, Connecticut. It was the worst fire in Federal Bureau of Prison history with five deaths and scores of injuries. Approximately 90 inmates have brought suit against the government under the Federal Tort Claims Act. The wrongful death claims and some of the more serious injury cases have been settled (the former in amounts ranging from $50,000 to $60,000). Still remaining, however, are numerous injury cases that are proceeding through lengthy discovery and negotiation stages. The government has also filed several motions which, if granted, would have the effect of establishing liability in other parties.

(AUS AFrank H. Santoro)

United States v. *Hydro Dredge*

This action seeks damages as a result of the dumping of polluted sediment in Long Island Sound by a dredging scow. The sediment was taken from Stamford Harbor and dumped several miles short of the authorized dump site through the alleged negligence of the defendant's crew. The case is awaiting trial.

(AUSA Frank H. Santoro)

Moore v. *Nelson*

A prisoner at the F.C.I., Danbury, challenged the procedure used by the Parole Commission in determining parole eligibility for prisoners sentenced under 18 U.S.C. § 4205(b)(2). The petitioner argued that the Institutional performance of the prisoner and the length of his sentence had to be considered in the parole decision making process. The issue had been a recurrent one in Connecticut and had been decided adversely to the Parole Commission by the Third Circuit in *Geraghty* v. *Parole Commission*. The Second Circuit, in the Danbury case, rejected the Third Circuit's approach and upheld the Commission's procedures.

(AUSA Cheryl B. Wattley)

United States v. *Solvent's Recovery, et al*

This is an action seeking injunctive relief and damages arising out of underground water pollution in Southington, Connecticut. The allegations are that the leaching and migration of chemical wastes which had been dumped into the ground have imperiled the town's water supply. The primary legal theory of the government relies on the Imminent Hazard provisions of the Resource Conservation and Recovery Act. The theory is now being tested by a motion to dismiss. Several environmental organizations and the town's water department have played an instrumental role in the investigation and are seeking to intervene in the case. The action was the first of its kind in New England to be undertaken.

(AUSA Frank H. Santoro)

National Wildlife Federation v. *Goldschmidt*

This lawsuit concerns a proposal to construct an interstate highway from Hartford, Connecticut to Providence, Rhode Island. The case, brought primarily under the National Environmental Policy Act, challenges several aspects of the environmental review process. The highway would be located primarily in Eastern Connecticut where it would have important environmental and economic consequences. An issue has also arisen as to its effect on the Scituate Reservoir, the major drinking water supply for the city of Providence. Largely because of this latter concern, the Environmental Protection Agency has taken the unusual step of referring the matter to the Council of Environmental Quality which has recently announced opposition to certain parts of the proposal. In the meantime, the litigation is proceeding in the discovery stage.

(AUSA Frank H. Santoro)

Connecticut Association for Retarded Citizens v. *Mansfield Training School*

On February 8, 1980, the United States was granted leave to participate as litigation amicus curiae in this lawsuit involving rights of the mentally retarded. According to the complaint, Mansfield Training School is an excessively large, isolated institution providing little or no habilitation for its residents. This litigation seeks to establish an alternative system of care, providing for

presently institutionalized persons in small, community-based, residential homes. Although virtually all other similar institution cases have been handled by the Department of Justice's Special Litigation Section, this office was responsible for the preliminary factual inquiry in this matter, and will continue to have primary responsibility for the case during discovery and trial.

(AUSA Cheryl B. Wattley)

OSHA Inspecton of Electric Boat

On April 19, 1979, this office, in conjunction with the Department of Labor, obtained a warrant authorizing a comprehensive inspection of the Electric Boat Division of General Dynamics Corporation in Groton, Connecticut by the federal Occupational Safety and Health Administration. The warrant was issued on the basis of the affidavits of OSHA inspectors detailing serious safety and health violations at the submarine construction facility. Electric Boat's initial challenge to the warrant was denied by the issuing Magistrate, and the company then appealed to the District Court. Following a hearing in that court, this office, with the cooperation of the Labor Department, successfully negotiated a settlement of the action, by which the company waived its right to challenge the validity of the warrant in any future administrative proceeding concerning violations that had been found in the inspection up to that time. Electric Boat also agreed to allow the inspection to continue to its completion on a voluntary basis.

The inspection, which lasted over a month, resulted in the assessment of $260,000 in penalties against Electric Boat, the second largest fine in OSHA's history. The conditions which the Company has been ordered to correct include health-threatening air contamination from numerous sources, as well as numerous safety hazards connected with various manufacturing processes.

(USA Richard Blumenthal and
AUSA George J. Kelly, Jr.)

Techer v. *Landrieu*

Tenants of Oriental Masonic Gardens, a HUD-owned project, brought this action seeking to impose a "warranty of habitability" standard on a HUD-owned project. No federal court has yet

decided whether HUD-owned multifamily housing is subject to the "warrant of habitability". The District Court judge enjoined the collection of rent, holding that there was a "fair question" as to whether such a warranty applied. As a corollary to the litigation, this office was instrumental in a determination by HUD to undertake a voluntary plan for relocating the Oriental Masonic Gardens tenants. This relocation plan has contributed to the public housing situation in New Haven by restoring and preparing for occupancy formerly vacated, vandalized and uninhabitable housing units. Although the case is still pending, there are only approximately ten families remaining at Oriental Masonic Gardens.

(AUSA Cheryl B. Wattley)

Harrison v. *United States*

The wife of an Army captain filed an action under the Federal Tort Claims Act seeking monetary damages as a result of an injury sustained by her husband while he was on duty. The case thus presented a challenge to the *Feres* doctrine which exempts the United States from liability for injuries sustained incident to service. Serious potential disruption and liability would have resulted if the *Feres* doctrine had been overruled or held inapplicable to claims by spouses. The case was dismissed by the District Court judge and affirmed on appeal.

(AUSA Cheryl B. Wattley)

Angell v. *Zinsser*

On October 23, 1979, the United States was permitted to intervene as a party plaintiff in this lawsuit challenging a town's withdrawal from the Community Development Block Grant program. The Town of Manchester, Connecticut, withdrew its application for funds after it had been required by HUD to hire an affirmative action housing officer and take other steps to comply with its Title VIII responsibilities. The complaint alleges that the purpose and effect of the town's action was to maintain the racially exclusive character of the town. Trial is pending.

(AUSA Cheryl B. Wattley)

Citizens For a Balanced Environment and Transportation, Inc., et al v. *Volpe, et al.*

In April, 1979, motions to vacate a 1972 injunction against construction of Route 7, a major artery between Norwalk and Danbury, were filed by this office as well as the State of Connecticut and a group of private intervenors. The basis for the request to lift the injunction was a comprehensive environmental impact statement, filed in August, 1978, detailing the social, economic and environmental effects of a new Route 7. The concerned federal and state agencies, upon review of the impact statement, concluded that the new road was essential in order to relieve the congestion, pollution and traffic hazards created by the present road. Evidentiary hearing on the adequacy of the impact statement, at which the defendants presented the testimony of independent expert witnessess, were held in August, 1979, and again in January, 1980. The parties are awaiting the court's ruling.

(USA Richard Blumenthal, and
AUSA George J. Kelly, Jr.)

T. M. Systems, Inc. v. *United States, et al,* and
Standard Engineers & Constructors, Inc., et al

In these two cases lawsuits were filed by disappointed bidders challenging the award of federal contracts to other parties. In each case, the government's motion to dismiss for lack of standing and jurisdiction prevailed. The court's holding represents a major departure from a trend in entertaining such actions, begun a decade ago in the District of Columbia. Given the government's role as the nation's largest contractor, this development has enormous potential for controlling the growth of litigation in this area.

(AUSA Hugh W. Cuthbertson)

United States v. *Connecticut Department of Transportation, et al*

This litigation was brought to abate air pollution at the Cos Cob power plant in Greenwich. It is the oldest coal-fired power facility still operating in the country yet the sole source of electric power for the commuter trains on the New Haven line to New York City. A settlement by formal consent judgment was reached

in May, 1979. The settlement resulted in the temporary substitution of oil for coal-fired boilers, thus effectively eliminating the air pollution. The ultimate goal is the total phaseout of the plant as the signal control and traction systems of the line are modernized so as to allow the procurement of electric power elsewhere. This office and the Town of Greenwhich have monitored the consent judgment and the modernization process. In response to requests made by this office and the Town, the Court in January, 1980, appointed a special administrator to assure consistent progress in this regard. The parties are hopeful that the ultimate conversion goals will be expeditiously met.

(USA Richard Blumenthal and
AUSA Hugh W. Cuthbertson)

OFFICE OF THE UNITED STATES ATTORNEY FOR THE DISTRICT OF CONNECTICUT

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** Resigned 1/26/80

ERRATA SHEET

P. 28 In United States vs. Antoine Mouawad, Mr. Mylet Mouawad is incorrectly reported to have pled guilty to firearms offenses. In fact, the government dismissed all charges against Mr. Mylet Mouawad, who has been ordered to leave the country by the Immigration and Naturalization Service.